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Report of the Intersecretariat Working Group on Price Statistics

Note by the Secretary-General

In accordance with Economic and Social Council decision 2016/220 and past practices, the Secretary-General has the honour to transmit the report of the Intersecretariat Working Group on Price Statistics. The Commission is invited to take note of the report.

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Report of the Intersecretariat Working Group on Price Statistics: overview of developments in the area of price statistics

I. Introduction

1. The Intersecretariat Working Group on Price Statistics has been mandated by the United Nations Statistical Commission to develop international standards and recommendations on price statistics, document best practice guidelines and support their implementation. The Working Group consists of representatives of Eurostat, the International Labour Organization (ILO), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the Economic Commission for Europe (ECE) and the World Bank. The Chair is currently held by OECD. At the forty-eighth session of the Commission, the Chair will be handed over to the World Bank.

2. The present report provides an overview of the main developments in the area of price statistics since the previous report of the Working Group to the Commission, at its 2013 session. Prior to that time, the Board had reported to the Commission on a biennial basis in uneven years. A background document providing an overview of the activities carried out since 2013 in the area of price statistics was provided to the Commission at its forty-seventh session.

3. The present report is structured as follows: the main developments in international standards and methodological guidance are addressed in section II; issues related to the international collection of price data are discussed in section III; relevant meetings and conferences are briefly reviewed in section IV; and issues for further consideration by the Commission are presented in section V.

II. International standards and methodological guidance

A. Updating the *Consumer Price Index Manual: Theory and Practice*

4. Since the publication of the *Consumer Price Index Manual: Theory and Practice* in 2004, methods and best practices have continued to evolve. During the 2014 session of the Group of Experts on Consumer Price Indices, countries expressed a need for the *Manual* to better reflect current best practices and to include more practical compilation advice wherever possible. The Working Group endorsed and expressed support for an update of the *Manual*, with IMF as lead agency.

5. Overall, the goal of the update is to produce a *Manual* that includes more practical compilation advice to guide compilers. It should be stressed, however, that this will be only an update of the *Manual*, not a complete revision. Work on updating the *Manual* will be undertaken and guided by a technical expert group, whose members will represent not only international price index experts, but also compilers from national statistical offices.

6. Work on updating the *Manual* has gained momentum. The updated *Manual* will comprise two volumes: volume I will focus on the compilation of consumer price indices (CPIs), while volume II will review the theoretical and conceptual foundations of CPIs. Members of the technical expert group are currently reviewing each of the chapters in the *Manual* and preparing outlines of proposed changes and updates. These proposed changes and updates will be discussed and most probably agreed upon during a meeting of the technical expert group to be held from 18 to 20 January 2017. Subsequently, work will commence on updating and revising each chapter. As revised chapters become available during 2017, the draft chapters will be posted on a website for review and comment by CPI compilers. IMF will report on progress to the Working Group on a regular basis.

B. *Methodological Guide for Developing Producer Price Indices for Services*

7. Over the past decade, the field of producer price indices for services has further developed. Considerable methodological and practical progress has been made by both European Union and non-European Union OECD countries, resulting in a significant increase in the availability of producer price indices for services. To reflect these developments, the *Eurostat-OECD Methodological Guide for Developing Producer Price Indices for Services* has been updated. The second edition of the *Guide* was published in December 2014 and is available from the OECD website.[1]

8. The *Guide* complements the *International Producer Price Index Manual: Theory and Practice*, published by IMF in 2004, and does so in two ways: it focuses on service-specific aspects in the producer price index (PPI) compilation by further developing the conceptual framework; and it adds detailed descriptions of PPI measurements for a wide range of individual service industries. It is aimed at helping countries develop producer price indices for services by sharing experiences and lessons learned in the collection of data and the compilation of indices. The update of the *Guide* has been jointly produced by Eurostat, OECD and members of a task force with delegates from 14 countries, in full cooperation with the Voorburg Group on Service Statistics.[2] It updates and replaces the first edition of the *Guide*, which was published in 2005. The second edition of the *Guide* had three objectives: (a) to propose a global and comprehensive framework that improves the understanding of problems related to the specific nature of services, i.e. that many services are unique and are not repeated, at least not in a fully comparable manner, or that they might be customer-specific; (b) to identify practical solutions implemented by countries for developing producer price indices for specific service industries (e.g., transport and storage, information and communications services, and professional, scientific and technical services); and (c) to promote new methodologies that, in some cases, are still under development (e.g., financial intermediation, insurance and human health activities) and for which the sharing of experiences and expertise will help address remaining issues and challenges.

[1] www.oecd.org/std/prices-ppp/eurostat-oecd-methodological-guide-for-developing-producer-price-indices-for-services-9789264220676-en.htm.

[2] See http://unstats.un.org/unsd/methods/citygroup/voorburg.htm.

C. *Handbook on Residential Property Price Indices*

9. In 2013, the *Handbook on Residential Property Price Indices*[3] was published in response to recommendation 19 of the Group of 20 (G-20) Data Gaps Initiative (see sect. III.E below). It was the first comprehensive overview of conceptual and practical issues related to the compilation of price indices for residential properties. The development of the *Handbook* was coordinated by Eurostat, under the joint responsibility of the six member organizations of the Working Group.

10. The aim of the *Handbook* is to give practical guidance on compilation and to improve the international comparability of residential property price indices. It is meant to assist producers of residential property price indices, in particular in countries that are revising or setting up such indices. The *Handbook* draws on a wide range of experience and expertise in an attempt to describe practical and suitable measurement methods. It provides an overview of conceptual issues, and then describes and discusses in detail the various methods for compiling constant-quality indices. Particular importance is attached to highlighting the advantages and disadvantages of each alternative. Throughout, empirical examples are given. The final chapter gives recommendations for best practice.

11. Since its publication, the *Handbook* has become the reference for the compilation of residential property price indices. As such, it is a major driver of the harmonization and international comparability of such statistics.

D. Document on the measurement of commercial property price indices

12. Following the example of the *Handbook on Residential Property Price Indices* and against the backdrop of the G-20 Data Gaps Initiative, work on conceptual and practical guidance for the compilation of commercial property price indices started in 2013. Commercial property price indices are a new and very challenging domain of official statistics, and raise a number of particularly difficult issues. Under the aegis of the member organizations of the Working Group, Eurostat took the lead in coordinating the drafting of a document by a team of experts. In addition to IMF and OECD, the European Central Bank was deeply involved in the work.

13. The resulting document is entitled "Commercial property price indicators: sources, methods and issues", and is meant to provide the foundation for a future handbook on commercial property price indices. It sets out a conceptual framework for the compilation of such indices, and presents the main methods, possible data sources and specific challenges. Finally, an overview is given of property price indices and related indicators that are currently available in a number of countries. Following endorsement by the Working Group, it is planned that the document will be published as a Eurostat working paper in early 2017.

[3] See http://ec.europa.eu/eurostat/web/hicp/methodology/housing-price-statistics/residential-property-handbook.

E. Update of the classification of individual consumption according to purpose

14. The work of the technical subgroup for the classification of individual consumption according to purpose, established under the umbrella of the Expert Group on International Statistical Classifications, is following the time frame defined in its mandate. A first meeting of the subgroup was held in March 2016 in Geneva, with the aim of evaluating the feasibility and relevance of proposals for change and proposing concrete changes in the current structure. The meeting was followed up by written exchanges among participants of the subgroup and further consultations with the World Health Organization and the United Nations Educational, Scientific and Cultural Organization, thus arriving at a first draft of the revised classification, including a fifth level of digits, in the beginning of September 2016. A worldwide consultation on the draft to obtain feedback on the various proposals was conducted in September and October 2016. The Expert Group plans to finalize the revised classification of individual consumption according to purpose during 2017 and submit it for adoption by the Commission at its forty-ninth session in 2018. As one of the main users of the classification, the Working Group is well represented in the technical subgroup, either directly or through representatives of the various international organizations involved.

III. International data collection

A. Changes in the collection of data on consumer price indices

15. Under a joint project of IMF and OECD, detailed CPI data and associated weights for each of the 12 classifications of individual consumption according to purpose for both national CPI and harmonized indices for consumer prices series are being collected and are now available on the websites of IMF[4] and OECD.[5] In total, data are currently available for more than 100 countries, and efforts are ongoing to expand coverage and improve response rates. Improvements will also continue to be made to other aspects of the dissemination of these data. This combined IMF-OECD initiative will contribute to efforts by international organizations to coordinate data collection from countries with the aim of easing the response burden on national statistical offices and central banks.

B. Collection of data on house prices

16. The Bank for International Settlements and OECD have a great deal of experience in collecting and disseminating data on developments in house prices, whether sourced from official statistics or from private producers. The development of the *Handbook on Residential Property Price Indices* (see sect. II.D above) has given new momentum to the development of statistics on house prices, as part of the work package of official statistics. The G-20 Data Gaps Initiative also played an

[4] See http://data.imf.org/CPI.

[5] See http://stats.oecd.org/Index.aspx?DataSetCode=PRICES_COICOP and http://stats.oecd.org/Index.aspx?DataSetCode=HICP_COICOP.

instrumental role by inviting the Bank for International Settlements and member central banks to consider disseminating on the Bank's website publicly available data on real estate prices. Official numbers are now being published by Eurostat[6] (on the basis of a regulation that is binding for all European Union member States) and, combined with their previous dissemination practices, the Bank for International Settlements[7] and OECD.[8] To further align the collection and dissemination practices of international organizations with regard to house prices, a working group on house prices was formed in 2015 under the umbrella of the G-20 Inter-Agency Group on Economic and Financial Statistics (see sect. III.E below). The Working Group, whose membership consists of representatives of the Bank for International Settlements, the European Central Bank, Eurostat, IMF, OECD and the World Bank, closely coordinates its activities with those of the Working Group.

17. The second phase of the G-20 Data Gaps Initiative requested G-20 economies to publish residential property price indices consistent with the *Handbook* and supply those data to the relevant international organizations. As a result of fruitful discussions, the international organizations agreed on a common set of selected and headline indicators for most countries. The Working Group now focuses on the development of a standard template and terminology (including precise definitions) for the collection of national data on house prices and related housing indicators. This template will be put forward to the relevant countries for further consideration and agreement. The international organizations will also cooperate on further harmonizing their long time series and on collecting and disseminating regional data (with a special focus on urban areas), keeping in mind parallel efforts being made in the area of commercial property price indicators.

C. International Comparison Programme

18. At its forty-seventh session, held in March 2016, the Commission discussed the future of the International Comparison Program, in the light of the recommendations of the Friends of the Chair group on the evaluation of the 2011 round of the International Comparison Program. The Commission instituted the Program as a permanent element of the global statistical work programme. Starting from 2017, the Program will be conducted on a regular basis at more frequent intervals. The goal is to work towards implementing the International Comparison Program on the basis of a "rolling survey approach", consisting of a system of spreading out surveys over a cycle, in order to decrease the burden on national statistical offices and to allow for more flexibility in conducting the surveys according to the specific conditions of participating countries. The Commission noted the necessity of seeking synergies in the production of price statistics by integrating International Comparison Program and CPI survey activities, in order to improve the consistency of price statistics and to further decrease the demands of the Program on national statistical offices.

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[6] See http://ec.europa.eu/eurostat/product?code=prc_hpi_q&mode=view.

[7] See www.bis.org/statistics/pp.htm.

[8] See http://stats.oecd.org/Index.aspx?DataSetCode=RPPI_TARGET for headline indicators; http://stats.oecd.org/Index.aspx?DataSetCode=RPPI for the complete database on house prices; and http://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES for analytical house price indicators.

19. The Commission further established the governance structure of the Program, under which it will continue to be conducted by global, regional and national implementing agencies, under the overall oversight of a governing board and with the guidance of technical advisory task force or task forces. To ensure efficient coordination between global and regional agencies, the Commission established an inter-agency coordination group. The International Comparison Program Inter-Agency Coordination Group is now coordinating the preparations to launch the 2017 cycle of surveys and to support countries in implementing the activities of the Program. The results of the 2017 comparison are planned for release by the end of 2019.

D. Implementation of the Statistical Data and Metadata Exchange format

20. The process of compiling data structure definitions, in order to facilitate data exchange using the Statistical Data and Metadata Exchange (SDMX) format, has recently also started in the area of price statistics. Content-related experts from the Bank for International Settlements, the European Central Bank, Eurostat, ILO, IMF and OECD liaised with technical experts experienced in the format to form a technical group under the umbrella of the Ownership Group for SDMX implementation in Macroeconomic Statistics. The first meeting of the technical group was held in July 2016. It was decided to develop data structure definitions for prices progressively, starting with consumer price indices, and subsequently taking forward producer price indices, export-import price indices, residential property price indices and commercial property price indicators. Purchasing power parities have been excluded, at least for the time being. With this addition, the Ownership Group now covers the following areas of statistics: national accounts (including government finance statistics); balance of payments; foreign direct investment; and prices.

E. G-20 Data Gaps Initiative

21. The G-20 Data Gaps Initiative consists of 20 recommendations to improve statistics in response to the economic and financial crisis. The initiative, governed by the Inter-Agency Group on Economic and Financial Statistics, has moved into its second phase. Among the 20 recommendations, two are directly related to price statistics. Recommendation II.17, on residential property prices, has the following goal:

> The G-20 economies to publish residential property price indices consistent with the *Handbook on Residential Property Price Indices* and supply these data to the relevant international organizations, including the Bank for International Settlements, Eurostat and OECD. The Inter-Agency Group, in collaboration with the Intersecretariat Working Group on Price Statistics, to work on a set of common headline residential property price indices; encouraging the production of long time series; developing a list of other housing-related indicators; and disseminating the headline residential property price data via the Principal Global Indicators website.

Recommendation II.18, on commercial property prices, has the following broad objective: "The Inter-Agency Group, in collaboration with the Intersecretariat Working Group on Price Statistics, to enhance the methodological guidance on the compilation of commercial property price indices and encourage dissemination of data on commercial property prices via the Bank for International Settlements website". The Inter-Agency Group closely cooperates with the Working Group in moving forward on these recommendations.

22. In the context of this initiative, OECD calculates and publishes a G-20 aggregate for CPI on a monthly basis, in addition to a G-20 aggregate for economic growth on a quarterly basis. The relevant CPI data are being published in a monthly press release.[9]

IV. Meetings and conferences

A. Group of Experts on Consumer Price Indices

23. The meetings of the Group of Experts on Consumer Price Indices are organized every second year by ECE in cooperation with ILO. The Group of Experts supports the development of internationally agreed standards and methods in the field of CPIs and provides recommendations on good practices with the overall objective of improving the quality and international comparability of CPI statistics. The meetings are organized under the aegis of the Conference of European Statisticians and are attended by price statisticians from Conference member countries, as well as compilers from other regions. Experts from international organizations and researchers on index numbers also attend.

24. The 2016 meeting of the Group of Experts was held from 2 to 4 May in Geneva. It discussed the following topics: scanner data and big data; synergies between CPIs and purchasing power parities and integration of survey activities; methods for calculation of elementary and higher-level price indices; difficult-to-measure products and services; CPIs for different population groups, income groups and geographic areas; and house price indices. In addition to this, IMF provided information on the work on updating the 2004 *International Producer Price Index Manual: Theory and Practice*. The proceedings of the meetings of the Group of Experts are available from the website of ECE.[10] The next meeting of the Group is scheduled to be held in May 2018.

B. Ottawa Group on Price Indices

25. The Ottawa Group on Price Indices focuses on applied research, particularly though not exclusively in the area of consumer price indices. The Group examines the advantages and disadvantages of various concepts, methods and procedures in the context of realistic operational environments. Participants are specialists and practitioners who work for national statistical offices or international organizations. The Ottawa Group meets every second year, alternating with the Group of Experts

[9] See www.oecd.org/std/prices-ppp.

[10] www.unece.org/statistics/meetings-and-events.html#/.

on Consumer Price Indices. As a city group of the Commission, it reports separately to the Commission every second year, in even years.[11]

26. The next meeting of the Ottawa Group is scheduled to take place from 10 to 12 May 2017 in Germany and will be hosted by the Deutsche Bundesbank. The meeting will discuss the following topics: new data sources for CPI compilation; compilation of property price indices; methods of calculating index numbers; meeting user needs; and the treatment of quality changes and seasonal products. More information on the proceedings of the Ottawa Group is available on the Group's website.[12]

V. Issues for further consideration

27. The Commission is invited to take note of the present report.

[11] The reports are available from http://unstats.un.org/unsd/methods/citygroup/ottawa.htm.

[12] www.ottawagroup.org.